

Fiscal Management Division  
Statewide Fiscal Services Dept.  
Expenditure Audit Section

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Final

# **Desk Audit – Charge Card Program 458 – Texas Alcoholic Beverage Commission**



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## Executive Summary

Audit best practices indicate that data analytics has a critical role in uncovering fraud, waste, abuse and monitoring risks. The Comptroller's Fiscal Management Division, Expenditure Audit (EA) section now uses data mining techniques to:

- Run statewide systems reports to identify instances of possible fraud, waste, abuse and/or noncompliance.
- Follow up on any instances found by performing desk audits.

The desk audits are conducted in accordance with Texas Government Code, Section 403.011(13) and assist EA with the annual risk assessment for the post-payment audit process.

In this instance, auditors conducted desk audits of certain agencies' activities based on ad hoc reports from the Uniform Statewide Accounting System (USAS) and Citibank reporting system. These desk audits help determine if state agencies and institutions of higher education have adequate monitoring controls over the purchase and travel cards payment process, which prevents rebate losses from the Citibank Charge Card Program.

The Texas Alcoholic Beverage Commission (Commission) was identified as an agency with one credit card payment (consisting of 91 line items) for \$13,800.61 using the incorrect billing account number in violation of the Comptroller's policy requirements prescribed by [\*Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)\*](#) and [\*USAS and CAPPS Financial Invoice Number Field Requirements \(FPP E.023\)\*](#).

In a letter dated Aug. 11, 2017, auditors requested the Commission provide its written policies and procedures relating to the recording of purchase and travel card payment transactions in USAS.

The detailed results of the completed review of the Commission's policies, procedures and supporting documentation are described in this report's Detailed Issues and Findings and cover the Commission's following issues:

- Used the full 16 digits, with dashes inserted, of the central billing account (CBA) number to process one credit card payment (consisting of 91 line items) instead of just the last 10 digits.
- Policies and procedures are not consistent with instructions in the Comptroller's related policies.

## Detailed Issues and Findings

Below is a summary of the Commission's policies, procedures and supporting documentation review:

The Commission stated that invoice numbers are not directly entered into USAS on payments processed by the Commission and has corrected the procedural error of the incorrect billing account number in the invoice field.

The Commission provided a copy of its procedures for processing card payments in CAPPS. The Commission's procedures for processing travel card payments state that the format for the invoice number field should be the travel document number, followed by the Citibank account number, followed by the month and year of the payment. The Commission must update its procedures to indicate that only the last 10 digits of the central billing account (CBA) number may be entered into the invoice number field.

Per FPP E.023, payees must be able to identify and reconcile payments they receive from state agencies and institutions of higher education. The invoice number field in USAS and CAPPS Financials should be used to provide payees with the payment-related information they need to reconcile payments.

Entering procurement and travel card transactions in USAS or CAPPS Financials requires special considerations for the timely reconciliation of payments. If FPP A.043 and FPP E.023 are not consistently followed, the risk exists that payments which do not include the correct information in the invoice number field will not post to the correct account(s) on a timely basis, leading to the account(s) becoming delinquent and ultimately resulting in lost rebate dollars. Citibank's system posts payments received from the State Treasury based on information in USAS and CAPPS Financials. The automated interface expects the last 10 digits of the CBA number, with no spaces or dashes. If Citibank's system retrieves an unexpected value due to incorrect entry in the invoice number field, it will be unable to post the payment automatically. Citibank must then manually research the rejected entry and post the payment to the correct account, which could cause delays in posting.

Also, FPP A.043 and FPP E.023 are consistent with the current Payment Card Industry (PCI) Data Security Standard (DSS). The DSS requirement "Protect stored cardholder data" (Requirement 3) dictates that the primary account number be rendered unreadable anywhere it is stored. This can be done by truncating a portion of the account number. The FPPs require truncating the first six digits of the CBA number. Therefore, the FPPs should be fully and consistently followed for every payment transaction.



## Incorrect Billing Account Number

### Finding

The Commission processed one card payment for \$13,800.61 using the full 16 digits of the CBA number instead of just the last 10 digits. Using the full 16 digits might result in the vendor (Citibank) not being able to directly or timely post payments to the Commission's purchase and travel card accounts.

### Recommendation/Requirement

The Commission should consider the following:

1. The Commission must comply with FPP A.043 when processing card payments. When travel or procurement card charges are paid, only the last 10 digits of the Commission's CBA are to be entered in the invoice number field. It should be noted that while the CBA happens to be 16 digits, it is not an actual credit card number. Also, any additional information that the Commission wishes to add to the 10 digits as a suffix must be separated by a dash with no spaces before or after.

The Commission must use and reference FPP E.023 when processing CBA and corporate liability individual billed account (CLIBA) invoices. FPP A.043 and FPP E.023 comply with the current PCI DSS requirements and therefore should be followed fully and consistently for every payment transaction.

2. The Commission should update its internal accounting policies and procedures to be consistent with FPP A.043 and FPP E.023. The Commission should clarify policies and procedures to specifically address payment on CBA credit cards as contrasted with payment to other vendors.

### Commission Response

*The agency agrees with this finding.*

*TABC's Business Services Division (BSD) will institute a quarterly review of a random sample of card, CBA, and CLIBA payments to ensure compliance with FPP A.043 and FPP E.023. The quarterly review procedure will be established on Sept. 4, 2018.*

*TABC's BSD will also update procedures for processing card, CBA, and CLIBA payments to ensure compliance with FPP A.043 and FPP E.023 by Sept. 4, 2018.*

*Responsible personnel: BSD Fiscal Service Manager*

## Appendices



# Appendix 1 — Desk Audit Process Overview

Desk audits are conducted by the Expenditure Audit (EA) section of the Comptroller's Statewide Fiscal Services Department within the Fiscal Management Division in accordance with Texas Government Code, Section 403.011 (13).

## Audit objectives

Desk audits use data mining techniques and reports from statewide systems to:

- Identify instances of possible fraud, waste, abuse and/or noncompliance.
- Follow up on any instances found by performing desk audits.

## Comptroller's office responsibilities/supporting statute

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher in accordance with Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis in accordance with Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

## Methodology

1. Run ad hoc reports from USAS and Citibank.
2. Use one or more of the following audit criteria:
  - [State of Texas Charge Card Program](#)
  - [State of Texas Procurement and Contract Management Guide](#), Commercial Charge Card section
  - [Procurement Rules](#)
  - [Travel Policies](#)
  - [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#)
  - [USAS and CAPPS Financial Invoice Number Field Requirements \(FPP E.023\)](#).



## Fieldwork

For each entity listed on the ad hoc report, auditors must perform the following:

1. Review delinquency reports.
2. Obtain and review the agency's written policies and procedures to gain understanding of how the agency enters credit card payments in USAS.
  - a. Do the agency's procedures comply with FPP A.043 and E.023?
  - b. Were the procedures followed?

## Reporting

The audit findings are reported formally to the audited agency in the form of a report. The audit report includes recommendations and requirements for implementing or improving preventive controls that help reduce associated risks.